ACH
Originator's Guide



2026

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2026 Nacha Rules Changes for ACH

This 2026 NACHA Rules notification provides a summary of changes to the NACHA Operating Rules & Guidelines ("Nacha Rules"), listed chronologically in the order of effective date. For further information we recommend that you obtain a copy of the 2026 NACHA Operating Rules and Guidelines. The Nacha Rules are published annually and may be referenced or ordered at www.nacha.org/store . More detailed information regarding these changes may also be found at www.nacha.org/rules/operating-rules.

2026 – Effective March 20, 2026

Standard Company Entry Descriptions

New standard descriptions are established for specific types of transactions:

- **PAYROLL:** For PPD credits related to the payment of wages, salaries, and similar compensation, the Company Entry Description field must contain "PAYROLL." This standardization helps RDFIs identify payroll payments and supports fraud prevention measures.
- **PURCHASE:** For e-commerce purchases authorized by consumers, the Company Entry Description field must contain "PURCHASE." This applies to WEB debit entries and aims to enhance the identification and monitoring of e-commerce transactions.

Fraud Monitoring by Originators, Third-Party Service Providers (TPSPs), and ODFIs (Phase 1)

Non-consumer Originators, ODFIs, TPSPs, and Third-Party Senders with annual ACH origination volumes of 6 million or more in 2023 are required to establish and implement risk-based processes to identify ACH entries initiated due to fraud. This rule is intended to reduce the incidence of successful fraud attempts.

2026 – Effective March 20, 2026

Fraud Monitoring by Originators, TPSPs, and ODFIs (Phase 2)

This phase extends the fraud monitoring requirements to all other non-consumer Originators, TPSPs, and Third-Party Senders not covered in Phase 1. The practical effective date is June 22, 2026, due to the federal holiday on June 19.

RDFI ACH Credit Monitoring (Phase 2)

All RDFIs are required to establish and implement risk-based processes to identify credit ACH entries initiated due to fraud. This rule aims to reduce successful fraud attempts and improve fund recovery. The practical effective date is June 22, 2026.

These rule changes are part of Nacha's ongoing efforts to enhance the security and efficiency of the ACH Network. ACH participants should review these updates and ensure compliance by the specified effective dates.

ACH Origination Guide Overview

The ACH Network, which provides for the interbank clearing of electronic payments, is governed by *The Nacha Operating Rules and Guidelines (Rules)*. The *Rules* apply to all entries and entry data transmitted through the ACH Network. As an ACH Originator, you must comply with and are bound by the *Rules.* To ensure compliance, all ACH Originators must have access to a current copy of the *Rules*. The ACH Rules for Corporate Originators is published annually and may be ordered at https://www.NACHA.org . Alternatively, an electronic version of the ACH Rules may be viewed online by registering at http://www.achrulesonline.org/

TCB, A division of Ion Bank *(Bank)* provides this document as a brief summary of ACH facts and ACH Originator Responsibilities. It is not a replacement or substitution for the *Rules,* which are subject to change.

What is the ACH Network?

The Automated Clearing House (ACH) Network is the backbone for the electronic movement of money and other related data, providing a safe, secure, reliable network for direct consumer, business, and government payments. The ACH Network is governed by fair and equitable Rules that guide risk management and create certainty for all participants. As the migration from paper to electronic payment continues, the cost-effective ACH Network grows and enables innovation that strengthens the industry with creative payments solutions.

ACH Facts

- ACH entries are categorized as “consumer” or “corporate.”
- ACH is capable of crediting or debiting, checking or savings accounts.
- ACH entries are received by most financial institutions.
- ACH is a batch system (not real time).
- ACH entries are irrevocable once they have been submitted and approved for processing.

ACH Legal Framework

You are required to abide by multiple rules and agreements including, but not limited to, the following when initiating ACH transactions:

- Nacha Operating Rules(www.nacha.org)
- Regulation E (“Reg E”) – Federal regulation providing protections to consumers (Nacha rules comply)
- UCC4 – Uniform Commercial Code Section 4 (Nacha rules comply)
- *Bank* Deposit Agreement and Terms and Conditions
- *Bank* Cash Management Services Agreement
- Authorizations from employees, customers.
- *Bank* and Corporate agreements

Definitions of ACH Participants

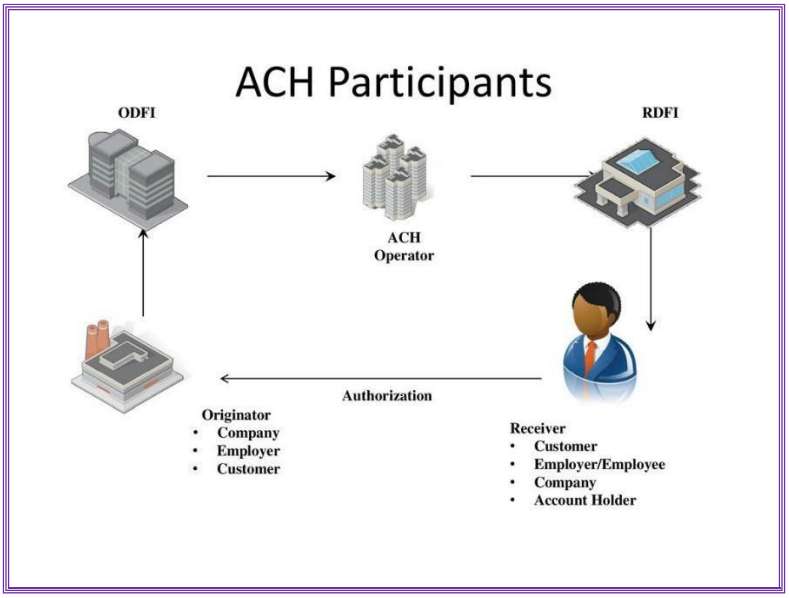
Originator – The Originator is the entity or company that agrees to initiate ACH entries into the payment system according to an arrangement with a Receiver. The Originator is usually a company directing a transfer of funds to or from a consumer or another company's account.

Originating Depository Financial Institution (ODFI) – The ODFI is the financial institution that receives payment instructions from Originators and forwards the entries to the ACH Operator.

Automated Clearing House (ACH) Operator – An ACH Operator is the central clearing facility operated by a private organization or the Federal Reserve Bank on behalf of Depository Financial Institutions

Receiving Depository Financial Institution (RDFI) – The RDFI is the Depository Financial Institution that receives ACH entries from the ACH Operator and posts the entries to the accounts of its depositors (Receivers).

Receiver – A receiver is a natural person or an organization that has authorized an Originator to initiate an ACH entry to the Receiver's account with the RDFI. A Receiver may be either a company or a consumer, depending on the type of transaction.



Overview of the ACH Network

As the Originator, your company must first obtain authorization to initiate a transaction to the Receiver's account or provide notice to the Receiver that a transaction will be initiated to their account. Your company (Originator) then creates a file of ACH transactions assigning a company name that is easily recognized by the Receiver. The file is then sent to your Originating Depository Financial Institution (ODFI), TCB, A division of Ion Bank.

The ODFI collects ACH files from Originators with which it has contractual relationships, verifies the validity of these files and at specified times, transmits these files to the ACH Operator. The ACH Operator receives ACH files from the ODFI, edits the file to make sure they are formatted properly and distributes files of entries to the Receiving Depository Financial Institution (RDFI). The RDFI receives files of entries from the ACH Operator for its account holders. Entries are posted based upon the Settlement Date and Account Number. Periodic statements are provided to the Receiver with descriptive information about the ACH transaction, including the date of the transaction, dollar amount, payee (Originator) name, transaction description (i.e. Payroll, water bill).

Overview of ACH Funds Settlement

Settlement is the actual transfer of funds between financial institutions to complete the payment instructions of an ACH entry. The Federal Reserve Bank provides settlement services for ACH entries. The timing of settlement is based upon the Effective Entry Date indicated on the ACH file and the time of its delivery to the ACH Operator. Your company, as the Originator, will determine the Effective Entry Date of the file you send to your ODFI. This is the date your company intends the entries to post to the accounts of the Receivers (employees or customers). When the ACH Operator processes an ACH file, the Effective Entry Date is read and entries are settled based upon that date, known as the Settlement Date. The Effective Entry Date in most cases is the same as the Settlement Date, but it is possible that the Settlement Date could be after the Effective Entry Date. For example, if the ACH Operator cannot settle on the Effective Entry Date due to untimely file delivery, a stale date, weekend or holiday, the ACH Operator will apply a Settlement Date of the next business day.

Your Responsibilities as an Originator

Listed below are the industry best practices you can follow to ensure compliance with ACH rules and regulations:

- Obtain proper authorizations, dependent upon the transaction type, and retain authorizations for two years past revocation.
- If requested by the *Bank*, provide proof of authorization for any ACH entries submitted to the network. The *The bank* may request to see your authorizations from time to time as part of an annual audit.
- Send entries on the proper date.
- Give appropriate notice to debtor if changing amount or date.
- Cease subsequent entries when notified.
- Make necessary changes to payee account information within six (6) banking days upon receipt of a Notification of Change, or before another entry is sent.
- Check payees against OFAC compliance checklists: https://sanctionssearch.ofac.treas.gov/
- Protect the banking information received to originate transactions.
- Ensure your computer and you are protected as outlined in the *Bank* Cash Management Services Agreement.
- Ensure the Originator is clearly identified as the source of the ACH transaction. Specifically, populate the Company Name Field of the Nacha formatted file with a name known to and readily recognized by the Receiver of the entry.

File Delivery Deadlines & Cutoff Times

All transmissions to the bank must be completed by the established Cutoff Times for processing to take place on the same business day. Any transmission completed and received by the bank after such Cutoff Times or on any non-business day will be processed on the following business day.

Direct Deposit Payroll Authorizations (Consumer)

- Use a direct deposit authorization form that collects employee account information. This form should allow the company to make credit and debit entries in the event a payroll adjustment is necessary.
- Obtain a voided check from the employee, if possible.
- The most common SEC code for direct deposit is PPD.

Debit Authorizations (Consumer)

- For consumers, an authorization to debit an account must be in writing or similarly authenticated.
- The most common SEC code for consumer debits is PPD.

Corporate Authorizations

- For companies, there must be a record of an agreement between the two parties.
- The most common SEC codes for corporate transactions are CCD or CTX, depending upon addenda origination. It is used for debits and credits.

Changing Date or Amounts of Debits

- ACH Rules requires you to notify your debtors of any changes in date or amount debited under the following circumstances:
  - Seven (7) calendar days' notice for a change of date (consumer and corporate).
  - Ten (10) calendar days' notice for a change in amount (consumer only).
- Sending the notice via U.S. Mail is acceptable.

Prenotifications (Prenotes)

- Prenotes are zero-dollar entries that precede the first live entry. The purpose of this prenote is to verify account information.
- Prenotes are optional for you to send. However, if sent, prenote rules must be followed and a prenote must precede the first live entry by at least three (3) banking days.
- The Receiving Bank is not required to validate the name of the payee on the prenote, although many do; they are only required to check the account number.

Notifications of Change (NOC)

NOCs are initiated by a receiving financial institution to notify an Originator that information in an ACH entry needs to be updated. The information must be updated or corrected before the transaction is originated again.

Some of the more common reasons for initiating a NOC are:

- Information in an ACH entry such as account number or transaction code is wrong and needs to be corrected.
- Banks have elected to consolidate routing numbers and want Originators to use a different one.

ACH Rules require the Originator to make changes or corrections within six (6) business days of receiving the notification of change or prior to initiating another entry to the Receiver's account, whichever is later. The Receiving Bank warrants that the information they provide in a notification of change is correct.

NOCs and Returns are reported to you on the ACH Activity screen in TCB, A Division of Ion Bank's, online banking system. ***** An alert may also be set up by you in online banking to generate an email to you when a report is available.

****** Third-Party Senders receive Return and Notification of Change Reports directly from the Federal Reserve Bank via secure email.***

Notification of Change (NOC) Codes (most common)

NOC Code	Description	What Changed / What to Do
C01	Incorrect DFI Account Number	Update the receiver's account number on file.
C02	Incorrect Transit/Routing Number	Update the routing number.
C03	Incorrect Transit/Routing Number & Account Number	Update both routing and account numbers.
C05	Incorrect Transaction Code	Update the account type (checking vs. savings).
C06	Incorrect DFI Account Number & Transaction Code	Update account number and account type.
C07	Incorrect Transit/Routing Number, Account Number & Transaction Code	Update routing number, account number, and account type.
C08	Incorrect Receiving DFI Identification	Update the routing number (often branch-related).
C09	Incorrect Individual Identification Number	Update the customer/receiver ID number.
C13	Addenda Format Error	Correct the addenda record information.
C14	Incorrect SEC Code for Outbound Entry	Update to the proper SEC code (e.g., PPD vs. CCD).
C61	Incorrect Individual Identification Number or ID Number	Update the receiver ID number (common with payroll/benefits).

NOC Code	Description	What Changed / What to Do
C62	Incorrect Company Identification Number	Update the Company ID used in the ACH file.
C63	Incorrect Company Identification Number & Company Name	Update both Company ID and Company Name.
C64	Incorrect Individual Name	Update the receiver's name on file.
C65	Incorrect Company Name	Update the company name on the ACH entry.
C66	Incorrect Discretionary Data	Update or remove discretionary data field.
C67	Incorrect Payment Related Information	Update the payment-related addenda info.

Returns

Returns must be processed by the Receiving Bank within 24 hours of settlement. Returns that are unauthorized beyond 24 hours are the company's liability and any disputes may have to be settled outside of the banking network. Review your account activity daily.

- An exception to the 24-hour rule is consumer unauthorized returns, which may be returned within 60 days of posting.
- The use of consumer (PPD) or corporate (CCD) entry codes determines the applicable ACH return rules.
- If the Receiving Bank receives a dispute claiming a debit was unauthorized, the Receiving Bank must get a signed Written Statement of Unauthorized Debit from the account holder. You may obtain a copy of that statement by requesting a copy through the *Bank.*
- You may re-initiate a debit entry up to two times if (1) the entry has been returned for insufficient or uncollected funds (Return Reason Code R01 and R09), (2) the entry has been returned for stopped payment and re-initiation has been authorized by the Account Holder, or (3) the *Bank* has taken corrective action to remedy the reason for the return.
- A "Stop Payment" return may be re-initiated only if you receive approval from the payee to re-send the item.
- It is a violation of Nacha Rules to re-initiate the debit entry if a return is received for any other reason.
- Disagreements regarding authorization should be handled outside of the ACH Network.
- Originators must maintain a return rate below .5% for entries returned as unauthorized.
- Originators can have no more than 3% of your total debit entries returned due to administrative or account data errors.
- Originators can have no more than 15% of your total debit entries returned for any return reason.

Return Entry Codes (most common)

Reason for Return	Action by Originator	Available SEC Codes	Return Deadline
R01 – Insufficient Funds	Originator may initiate a new ACH entry within 180 days of original Settlement date.	ALL	24 HOURS
R02 – Account Closed	Originator must stop initiation of entries and obtain an authorization from the Receiver for another account.	ALL	24 HOURS
R03 – No Account / Unable to Locate	Originator must stop initiation of entries and contact the Receiver for correct account information.	ALL	24 HOURS
R04 – Invalid Account	Originator must stop initiation of entries until account number / structure is corrected.	ALL	24 HOURS
R05 – Unauthorized Debit to Consumer Account Using Corporate SEC Code	Originator must stop initiation of entries.	CCD, CTX	60 Days – Written Statement of Unauthorized Debit
R06 – ODFI Request for Return	Originator must accept requested return.	ALL	Not Applicable
R07 – Authorization Revoked	Originator must stop initiation of entries until new consumer authorization is obtained.	PPD, TEL, WEB	60 Days – Written Statement of Unauthorized Debit
R08 – Payment Stopped	Originator must contact Receiver to identify the reason for the Stop Payment and obtain authorization before reinitiating the entry.	ALL	24 HOURS
R09 – Uncollected Funds	Originator may initiate a new ACH entry within 180 days of the original Settlement Date.	ALL	24 HOURS
R10 – Customer Advises Originator is Not Known to Receiver and/or Originator is Not Authorized by Receiver to Debit Receiver's Account	Originator must stop initiation of entries.	ARC, BOC, POP, PPD, TEL, WEB	60 Calendar Days – Written Statement of Unauthorized Debit
R11- Customer Advises Entry Not in Accordance with the Terms of the Authorization	Originator must stop initiation of entries.	ARC, BOC, POP, PPD, TEL, WEB	60 Calendar Days – Written Statement of Unauthorized Debit
R12 – Account Sold to Another DFI	Originator must stop initiation of entries and obtain correct routing number information for initiation of subsequent entries.	ALL	24 HOURS
R16 – Account Frozen	Originator must stop initiation of entries.	ALL	24 HOURS
R20 – Non Transaction Account	Originator must stop initiation of entries.	ALL	24 HOURS
R24 – Duplicate Entry	Originator should accept the return. If the entry has already been reversed, Originator should contact the RDFI to determine a solution. An Originator may reverse an erroneous or duplicate ACH entry/file up to 5 banking days after the Settlement Date of the entry/file. OR it may request the RDFI to send a return.	ALL	24 HOURS
R29 – Corporate Customer Advises Not Authorized	Originator must stop initiation of entries until subsequent authorization has been obtained.	CCD, CTX	24 HOURS

Reversals

- If a reversing entry or file must be made, notify TCB, A Division of Ion Bank, at TCBdigital@bank-tcb.com.
- Reversals may only be made for the following reasons:
  - A duplicate Payment
  - Payment sent to a receiving account that was different than the intended account
  - Incorrect payment amount
  - A debit payment processed earlier than intended, or a credit payment processed later than intended
- The reversing entry must be transmitted to or made available to the Receiving Depository Financial Institution within five (5) banking days following the settlement date of the erroneous entry.
- A payee must be notified if a reversing entry debits his or her account. However, a payee does not need to authorize the reversing debit.
- The word "REVERSAL" must be placed in the Company Entry Description Field of the Company/Batch Header Record and, if the file is reversing an erroneous file, then a correcting file must be initiated with the reversing file.
- The name of the Originator must reflect the same Originator identified in the erroneous entry to which the reversal relates.
- Reference Section 2.9 of the Nacha Operating Rules and Guidelines for information on ACH Reversals.

OFAC (Office of Foreign Asset Control)

- You are required to check payees/ACH recipients against OFAC compliance checklists.
- OFAC lists countries, groups and individuals with which U.S. Companies are not permitted to send or receive funds.
- The *Bank* must protect itself and our customers by informing them that it is against the law to send debit or credit entries to OFAC-blocked entities.
- You may check the OFAC SDN list at: https://sdnsearch.ofac.treas.gov

Right to Audit / Nacha Enforcement Authority

Upon written request, TCB, A Division of Ion Bank, shall have the right to examine your ACH Operations to ensure that ACH data is being processed correctly and that processing is adequate to meet the terms of our agreement and all Nacha Operating Rules. TCB, A Division of Ion Bank, may voluntarily provide Nacha with information such as return data that may be indicative of a potential Rules violation by any of our customers.

If you have any questions relating to ACH Origination Rules, please email TCB, A division of Ion Bank, Cash Management team to depositoperations@bank-tcb.com

Third Party Senders Registration and Audit Requirement

A Third-Party Sender is a type of Third-Party Service Provider that acts as an intermediary in transmitting ACH entries on behalf of another organization, who is the Originator. A Third-Party Sender of ACH entries may also be an Originator of other entries in its own right.

- TCB, A division of Ion Bank, is required to identify and register all Third-Party Senders with Nacha.
- Nacha Operating Rules require Third-Party Senders to conduct an annual ACH audit. TCB, A Division of Ion Bank, will request a copy of the annual audit each year.

- Third-Party Sender to conduct a risk assessment of its ACH activities and implement a risk management program on the basis of such an assessment.
- Third-Party Sender to provide to the Bank any information that the Bank considers to be reasonably necessary to identify each Originator within two banking days of the request.
- Third-Party Sender and its Originators to retain any records, documentation and data related to copies of items, source documents or authorizations in accordance with the requirements of the Nacha Operating Rules.
- Third-Party Senders to provide to the Bank the names of all “nested” Third-Party Senders. Third-Party Senders that process entries for other Third-Party Senders but do not have an ACH Origination Agreement directly with the Bank are known as "nested" Third-Party Senders. Nested Third-Party Senders must have an ACH Origination Agreement with the Third-Party Sender that has an ACH Origination Agreement with the Bank. A nested Third-Party Sender assumes all of the same responsibilities of the Third-Party Sender.
- Third-Party Sender to enter into a binding agreement with each Originator that complies with the Rules and that contains at least the same provisions as between the Bank and Customer.
- Third-Party Sender to conduct an investigation appropriate to the degree of risk associated with the Originator and in compliance with the Bank’s due diligence requirements, before entering into an ACH Agreement.